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FOR SECRETARY GUTIERREZ AND SECRETARY BODMAN,
FROM AMBASSADOR BRADTKE

STATE FOR EUR/SCE

E.O. 12958: N/A
TAGS: [EFIN](#) [ECON](#) [PREL](#) [PGOV](#) [HR](#) [EUN](#)
SUBJECT: MEETING WITH CROATIAN MINISTER OF ECONOMY

(U) Sensitive but unclassified; please handle accordingly.

¶1. (SBU) Croatian Prime Minister Ivo Sanader will travel to Washington to meet with President Bush on October 17. Sanader's meeting with the President comes at an important time for Croatia as it seeks to bind itself firmly to Euro-Atlantic institutions. Securing continued economic growth is a crucial part of this strategy and is essential to our own policy goals of enhancing regional economic cooperation and permanent stability in Southeast Europe.

¶2. (SBU) With these goals in mind, I hope you will find time to meet with Sanader's Minister of Economy, Branko Vukelic, who will accompany the PM to Washington. Vukelic's ministry is responsible for trade, economic development, and energy and is a key part of Sanader's strategy of making Croatia an attractive destination for investment and a regional engine of economic growth and reform. I believe it is important for the United States to help Croatia succeed, both as a return on the millions of dollars of assistance we have given over the years and a way of backstopping our larger goal of regional stability.

¶3. (SBU) Vukelic will come to Washington boosted by Croatia's sound economic performance. Last year's economic growth topped 4 percent on the back of growing investment and falling deficits. This week US Barr Labs succeeded in acquiring a majority share in Croatia's Pliva pharmaceuticals, marking the single largest foreign investment in Croatia's history as an independent country. I believe this investment of 2.5 billion dollars sends an important signal of confidence to American investors and can be leveraged to create other opportunities for US companies.

¶4. (SBU) I expect that Vukelic will also tout a number of other recent developments, including major planned investments in Croatia's energy sector, which is unique in the region for its degree of independence from Russian supply. He will also highlight economic reform measures that have streamlined procedures for investment.

¶5. (SBU) At Commerce we could encourage Vukelic to resolve Croatia's problem of granting marketing approval to generic copies of pharmaceuticals for which US firms hold patents; successful resolution of this

issue would help get Croatia off the Special 301 watch list. We could also push for resolution of a taxation problem with which Coca Cola is currently struggling.

¶6. (SBU) Regarding DOE issues, Croatia is investing in its energy sector, which holds potential opportunities for US companies. Croatia is planning to build several new electric power generation plants, an LNG facility, gas pipelines and upgrade its oil refineries. Croatia is also looking at investment in oil pipelines, particularly the Pan European Oil Pipeline (PEOP). Eager to secure its energy supply, Croatia could be a partner in efforts to diversify European energy supplies with a view to reducing reliance on Russian sources.

¶7. (SBU) The Croatians are very appreciative of the support they have received from the US over the last 15 years, including their use of GSP to encourage exports. I believe that your meeting with Vukelic would be the chance to take our economic relationship to its next stage, one based on trade and investment that is in our mutual interest.

BRADTKE